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JTI grows core revenue at constant rates of exchange
Market share increases in most key markets

Japan Tobacco International (JTI) business results for January-March 2013

Highlights *(change versus prior year)*

- Core revenue at constant rates of exchange[1] increased 2.1%, driven by an improved price/mix effect, more than compensating for a volume decline of 6.4%.
- Year-on-year market share[2] continued to grow in most key markets, including France, Italy, Spain, Taiwan, Turkey and UK.
- During this period, total[3] and GFB shipment volume results were affected mostly by industry contraction and trade inventory adjustments mainly in the Middle East.
- Total shipment volume declined 6.4%, but grew in France, Spain, Taiwan and Turkey. This decline was partially offset by fine cut performance growing 36.2% (11.5% organically).
- GFB shipment volume decreased 4.5%, but grew in market share in the key markets of Russia, Taiwan and Turkey.

Results: January-March 2013

	2012 Results					**2013 Results**
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Dec	Jan-Mar
Total shipment volume (billions of cigarettes)	98.9	113.5	115.5	108.6	436.5	92.6 (-6.4%)
GFB shipment volume (billions of cigarettes)	61.1	69.7	71.6	66.3	268.8	58.4 (-4.5%)
Core Revenue (millions of US$)	2,731	2,997	3,125	2,963	11,817	2,729 (-0.1%)
[Reference] Core Revenue at constant rates of exchange (millions of US$)	2,678	2,958	3,055	2,963	11,655	2,734 (+2.1%)

( ) Net change in comparison to the same period in 2012

- Core revenue at constant rates of exchange grew US$56 million (or +2.1%), driven by US$207 million (or 7.7%) in price/mix improvement, more than compensating for an unfavorable volume contribution of 5.6% representing US$151 million.

- Core revenue on a reported basis declined 0.1% compared to the previous year.

Cluster performance: January-March 2013

- **South and West Europe**: Total and GFB shipment volumes declined 2.0% and 7.7% respectively. Total shipment volume grew in France and Spain driven by fine cut performance following the acquisition of Gryson. In Italy, both total and GFB shipment volume during this period declined 15.7% partly due to industry contraction of 9%. Market share increased in France, Italy and Spain.

- **North and Central Europe**: Total and GFB shipment volumes declined 3.0% and 0.9% respectively, despite positive GFB performance in Austria, Germany, Hungary and Sweden. In the context of industry contraction in the UK, our share of market grew with JTI brands remaining firmly in the top three positions. Market share increased in Germany, Ireland and UK.

- **CIS+**: GFB shipment volume increased 0.8% driven by Russia and other markets such as the Caucasus and Kazakhstan. Total shipment volume in the cluster declined 5.6%. In Russia, GFB shipment volume grew 2.6% leading to increased share of value[4]. In addition, GFB share of market increased. Total shipment volume in Russia decreased 4.3% mainly due to industry contraction of 7% following significant tax increases and the decline of low-end local brands. Market share grew in Kazakhstan and Romania.

- **Rest-of-the-World**: Total and GFB shipment volumes declined 11.0% and 11.4%, respectively. In the Middle East, political instability and the general economic situation impacted our performance. Despite facing one-off trade inventory adjustments, our underlying fundamentals in the cluster remain positive. Our total shipment volume increased in Sudan, Taiwan and Turkey. Market share increased in Korea, Taiwan and Turkey.

Global Flagship Brands (GFB): January-March 2013

- **Winston**: Despite positive momentum in Russia, Taiwan, Turkey and other CIS+ markets, shipment volume declined 5.4% due to trade inventory adjustments in a number of Rest-of-the-World markets. In the fine cut category, volume grew 44.4% within our two European clusters.

- **Camel**: Shipment volume declined 5.2% due to industry contraction and down-trading in Italy, partially offset by growth in Russia and Spain. In fine cut, volume grew 34.8% within our two European clusters.

- **Mevius/Mild Seven**: Transition to Mevius from Mild Seven has started smoothly in Korea. Shipment volume declined 1.7% despite positive performance in Taiwan and other Asian markets.

- **LD**: Shipment volume increased 0.2% driven by Kazakhstan and Turkey.

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Japan Tobacco Inc. is a leading international tobacco product company. Its products are sold in over 120 countries and its internationally recognized brands include Winston, Camel, Mevius/Mild Seven and Benson & Hedges. With diversified operations, JT is also actively present in pharmaceuticals, beverages and processed foods. The company's revenue was ¥2.120 trillion (US$22,543 million(*)) in the fiscal year ended March 31, 2013.

**Translated at the rate of ¥94.05 per $1, as of March 29, 2013*

Notes:

[1] Constant currency measures are computed by restating current year results at the previous year's foreign currency exchange rates. In 2013, market results/forecast, subject to highly volatile currency, significant currency devaluation and/or highly inflationary environments, are reported at actual/assumed exchange rates for figures both on a reported basis and at constant rates of exchange. Accordingly, 2012 results at constant rates of exchange have been restated for such markets. Results at constant rates of exchange should be considered in addition to, not as a substitute for, results reported in accordance with IFRS.

[2] Source: Nielsen, Logista, Altadis and JTI estimates on a 12-month rolling average for cigarettes and fine cut at the end of March 2013, except for Germany, which is on a 12-month rolling average at the end of February 2013.

[3] Total shipment volume includes fine cut, cigars, pipe tobacco, and snus, but excludes contract manufactured products and waterpipe tobacco.

[4] Source: Nielsen estimates on a 12-month rolling average for cigarettes at the end of March 2013.

Additional definitions are provided at http://www.jt.com/investors/media/definitions/index.html.

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